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14 JAN 1955

MEMORANDUM FOR: Chief, Employee Services Division

FROM: Acting Chief, Insurance and Claims Branch

SUBJECT: Semi-annual Progress Report and Program Plans

There follows a progress report on the functions performed by the Insurance and Claims Branch during the period 1 July 1954 through 31 December 1954. There are also attached a Program Plan and statistical data for the Insurance and Claims Branch for the period 1 January 1955 through 30 June 1955.

War Agencies Employees' Protective Association

1. Listed below is a summary of actions taken in the administration of the War Agencies Employees' Protective Association (WAEPA) life insurance program during the period 1 July 1954 through 31 December 1954.
2. During the reporting period, 45 new applications for WAEPA life insurance were approved and processed. The sharp reduction in the volume of WAEPA approved and processed is directly related to the acquisition of the new United Benefit Life Insurance Contract.
3. During the reporting period, the Agency insurance "drives", which included the new United Benefit Life Insurance Company (UBLIC) plan inaugurated on 1 August 1954, resulted in the cancellation of a significant number of then existing WAEPA policies inasmuch as many WAEPA policy-holders transferred their insurance coverage to the UBLIC plan. During the reporting period, 441 such cases were cancelled in ICB records, leaving a net loss of 396 WAEPA contracts for the period. As may be noted from previous progress reports, a significant number of policies are cancelled out during any given period as a result of temporary insurance coverage purchased by Agency employees to cover a period of temporary duty only. This factor coupled with the initiation of the UBLIC program accounts for the net loss rather than gain in WAEPA policies during the reporting period. The gross number of WAEPA policies in effect, as of 31 December 1954, was [REDACTED] representing a face value of approximately [REDACTED]

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4. As noted in previous reports, the cancellation of a policy requires approximately the same administrative handling as the acquisition of new business, for reports must be made to the underwriter and refund payments must be made to the insured for any unearned (prepaid) premiums. Obviously, the transfer of coverage from one plan to another (i.e., WAEPA to UBLIC) involves both cancellation of the existing policy and processing of the new application. A tremendous number of man-hours were devoted to transactions of this type in both the life and health insurance programs during the reporting period.

5. During this same period, two death claims were processed by the Branch and paid by the insurance underwriters. Inasmuch as both deaths resulted from natural causes, accidental death benefits were not paid in either instance. Face value settlement amounted to \$10,000. in one case and \$12,000. in the other. The fact that one death occurred while the policy coverage was \$10,000. and the other occurred after the insurance underwriter had, by determination of the underwriting company's Board of Directors, increased this coverage to \$12,000. accounts for the discrepancy in these settlements. Another claim, including a claim for accidental death benefits which was received and processed to the underwriter during the reporting period, is not included in this report. Insurance and Claims Branch life insurance settlement statistics are based upon the receipt of settlement checks from the underwriting companies. Therefore, this case will be included in the next progress report.

6. In addition, negotiations are now in progress and have been in progress with the WAEPA for the repayment of natural and accidental death benefits in the case of a missing person who was previously determined deceased and is now being restored to a missing status. Repayment of the insurance proceeds by the beneficiary will be made to the underwriters and the WAEPA will reinstate the insurance policy, providing continuity of insurance coverage.

Group Hospitalization, Incorporated

1. The annual Group Hospitalization, Inc. "drive" was conducted from 1 June through 31 August 1954. During the reporting period, which overlaps the GHI drive, [REDACTED] GHI applications were received and approved. It may be observed that although the reporting period covers the greater portion of the annual GHI "drive", the number of

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new applications received during the current period is approximately the same as the number of applications received during the previous period, during which no GHI "drive" was conducted. The lack of a significant increase in GHI applications during the annual "drive" is traceable to the "drive" conducted on the new Mutual Benefit Health and Accident Association Hospitalization Plan which overlapped the GHI drive by one month and is for ICB administrative purposes, still in progress, inasmuch as Mutual applications completed in overseas installations are still being received in Headquarters.

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2. During the reporting period, the Insurance and Claims Branch transferred out [REDACTED] GHI policies, leaving a gross balance of [REDACTED] GHI contracts in force as of 31 December 1954. It is to be noted that of the [REDACTED] GHI contracts which were transferred out this figure includes approximately [REDACTED] contracts which were transferred to the new Mutual Plan. It is also to be noted that, in view of the decrease of GHI contracts below the 75% of GEHA membership (a GHI requirement before waiting periods for maternity, tonsillectomy and pre-existing conditions may be waived), GHI has informally advised this Branch that it will, at some time in the future, withdraw the waiver previously granted; however, no action is being taken by GHI in view of the probable enactment of the Government's Health Insurance Plan during the present session of Congress. Comparative statistics for this reporting period and the previous period are contained in the attached statistical data sheet.

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3. During informal discussions with representatives of Group Hospitalization, Incorporated, Insurance and Claims Branch representatives queried our GHI liaison concerning the new GHI "preferred contract" which has been publicized in recent news accounts. ICB was advised that GHI is not now publicizing its preferred contract for Government employees inasmuch as they feel the new Government health program may become law in this session of Congress. By present indications, the Government health plan will provide substantially the same benefits which are included in GHI's "preferred contract". In fact, it is the feeling of this Branch that GHI's "preferred contract" will be a companion plan designed for commercial usage in order to compete with the Government health program. Our GHI liaison also indicated that [REDACTED]

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WAEPA and GHI applications received from overseas installations has been insignificant. It has been interesting to observe that over the relatively short period of five months, the United Benefit and Mutual Plans now approximate the total policy-coverage of the WAEPA and GHI Plans. It is believed that the comparative statistics contained in the attached Statistical Data sheets will prove of interest.

Mutual Benefit Health and Accident Association Air Flight Insurance

During the reporting period, [REDACTED] Air Flight Insurance policies were issued by the Insurance and Claims Branch. There have been no claims under this plan during the reporting period.

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Income Replacement Program

1. During the reporting period, a Preferred Risk Income Replacement Plan duplicating the benefits provided under a similar plan for the Federal Bar Association, was inaugurated. This Preferred Risk Plan is underwritten by the Mutual Benefit Health and Accident Association. While this type of coverage is desired only by a relatively small number of Agency personnel due to the comparatively high premium, it was believed that such a plan should be included as a part of the over-all insurance plan for Agency personnel.

2. This plan has not been widely publicized for the principal reasons of high premium cost, stringent medical requirements and, most importantly, because this Branch felt that in view of the work load of the hospitalization and life insurance programs, we could not possibly conduct a "drive" for this type of insurance. However, it is available for persons who desire it and wish to discuss eligibility and application procedures with representatives of the Insurance and Claims Branch. During the reporting period, five policies were issued. No claims were made against this contract during the reporting period.

Retirement Activity

1. During the reporting period, the Insurance and Claims Branch reviewed and forwarded to the Civil Service Commission, 40 Applications

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for Service Credit, 10 Applications for Refund of Deductions, five Applications for Death Benefits and 12 Applications for Retirement.

2. In connection with its responsibilities in the retirement field, the Insurance and Claims Branch has become increasingly involved in the processing and handling of applications for direct refunds of retirement withholdings, particularly in connection with the handling of disability and death cases of covert personnel. During the period covered by this report, the Branch has established with the Office of the General Counsel and the Agent Payroll Section of the Finance Division, procedures for the processing of applications for the direct refund of retirement withholdings and claims for direct payment of unpaid compensation and accrued annual leave. Although the processing of claims for unpaid compensation is not a formal function of the Insurance and Claims Branch, the Branch has assumed this responsibility in the general handling of disability and death cases during the reporting period. It was felt that inasmuch as representatives of the Insurance and Claims Branch were handling other claim aspects of emergency cases and contacting the employees or the next of kin involved, this function should be handled at the same time.

Federal Employees' Group Life Insurance

1. On 29 August 1954, the Federal Employees' Group Life Insurance (FEGLI) program was placed in effect in this Agency. The Insurance and Claims Branch was given general responsibility for the implementation and administration of this program in the Agency for the Office of Personnel. A considerable amount of time was devoted to this program by Branch representatives even before enactment of the FEGLI legislation. Mr. [REDACTED] Branch Chief, was designated as a consultant to Mr. Warren Irons, of the Civil Service Commission, who is charged with responsibility for administration of this program throughout the United States Government.

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2. During the reporting period, the Insurance and Claims Branch, working with the Executive Officer, Office of Personnel, has had numerous meetings with members of the Retirement Division, Civil Service Commission and with Mr. William McKinley, Vice-President in charge, of the Office of Federal Employees' Group Life Insurance in New York. The purpose of these conferences has been to establish secure procedures with the Civil Service Commission and the Office of Federal Employees' Group Life Insurance for

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the processing of death claims under the FEGLI Act. These conferences were highly successful and it is believed that the majority, if not all of Agency claims, may be processed under the arrangements effected.

3. During the reporting period, the Insurance and Claims Branch issued 249 Standard Form 56, Agency Certification of Insurance Status. During this same period, 3 death claims under the FEGLI Act were reviewed, processed to the OFEGLI, and settled by that Office. Of the three claims processed, one arose out of the death of an employee of project [REDACTED] one from [REDACTED] and the third, a Staff Agent [REDACTED]

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Missing In Action Cases

1. The Insurance and Claims Branch entered the reporting period with only one active MIA case. However, during the latter part of the reporting period, it became apparent that two cases which had previously been officially closed at the end of 1953 would have to be re-opened. On the basis of the best evidence available, it had been determined in December 1953 that two Agency employees were presumed dead. Official action was taken in a form of presumptive findings of death under the Missing Persons Act in these two cases. New information received during the month of November 1954 necessitated the re-opening of these cases.

2. The Executive Officer, Office of Personnel, was designated as the Agency official responsible for the administrative handling of these two cases. This designation was made by the Director of Central Intelligence. The Executive Officer, in turn, designated a representative of the Office of the General Counsel and a representative of the Insurance and Claims Branch to assist him in carrying out this responsibility. During the months of November and December, numerous high level conferences were held with representatives of the Department of Defense, CIA officials, and representatives of private insurance companies involved. In addition, it was anticipated that numerous contacts would have to be made with the next of kin of the employees involved. On the basis of a coordinated recommendation, made by the Office of Personnel, the Director determined that these two individuals would be placed back in a missing status, retroactive to the time of the presumptive findings of death and would be continued in such status until more conclusive information was received and further action could be taken. As a result of this determination, the presumptive findings of death issued in December 1953 will be nullified. In placing these individuals back in a missing status, it becomes necessary for the various parties involved to correct their records and take such action as may be necessary to consider these men in a missing rather than a deceased status.

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3. During the reporting period, the Insurance and Claims Branch began the tedious process of restoring these men to the missing status in which they had been carried prior to December 1953. Negotiations and administrative actions in furtherance of the restoration of these men to missing status will continue through the next reporting period. The ultimate disposition of these cases is, of course, unknown at this time. To the best of our knowledge, these cases present questions that are without precedent in this country. Action which is now being taken will determine future Agency policy, should any similar cases arise in the future, or will at least be a definitive guide for the handling of such instances.

4. The one case which was active at the beginning of the reporting period was still in an active status at the termination of this period. A further review of the case will be made during the month of January. Prior to the reporting period no information had been received directly or indirectly from the forces holding this individual as a prisoner. The determinations made in connection with reviews of the case had been based on information obtained through Agency contacts and reasonable presumptions and inferences drawn from such information. However, during the reporting period, specifically in September of 1954, forces detaining this individual acknowledged their detention and indicated that he had been sentenced to life imprisonment. The ultimate action to be taken in this case is also unknown at this time.

5. A new case was brought to the attention of the Branch in a meeting called by the Executive Officer, Office of Personnel. On the basis of information at the disposal of this Branch, it appears that this individual is not entitled to the substantive benefits of the Missing Persons Act, although the procedural requirements of the proposed Missing Persons regulation will be followed.

Compensation and Medical Claims

1. Attached is a statistical summary of compensation and medical claims processed by the Insurance and Claims Branch during the period 1 July 1954 to 31 December 1954. This report is comparable to the summary of compensation activity prepared for previous progress reports and is designed to reveal the extent of the claims activity, the nature of claims processed, the ultimate method by which these claims were processed, and the final determination made.

2. As shown in the attached summary, two hundred thirty-two claims were handled by the Branch during this reporting period, including forty-nine pending cases carried from the previous

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reporting period. For the purposes of this study, the filing of Form CA-1, Employees' Notice of Injury or Occupational Disease, or an appropriate memorandum constitutes a claim.

3. One hundred eight of the total claims received were pressed by claimants for reimbursement of medical expenses or payment of compensation for time lost from work, or both. Of those, seventy claims were processed with the Bureau of Employees' Compensation on a classified or unclassified basis as the situation warranted, and thirty-eight cases were processed internally. Thirty-four internal cases were processed under the provisions of Section 5(a)(5)(C) of Public Law 110 and the remaining four as BEC type cases.

4. Excluding the 49 pending cases which were carried from the prior reporting period, the following comparison may be made between the present six months report and fiscal years 1953 and 1954:

| | 1 July 1954 - 31 Dec. 1954 (Excluding prior pending cases) | Fiscal Year 1954 (Excluding prior pending cases) | Fiscal Year 1953 |
|------------|---|---|---------------------|
| BEC | 39 | 51 | 40 |
| Internal | | | |
| 5(a)(5)(C) | 17 | 50 | 34 |
| BEC Type | 3 | 4 | 3 |

5. As can be noted above, the number of claims processed internally has slightly decreased although the claims sent to BEC have increased. In our previous progress reports, a forecast was made that the number of cases processed under the provisions of Section 5(a)(5)(C) of Public Law 110 would probably double and possibly triple with the anticipated publication of Agency Regulation [REDACTED]. This regulation has not yet been issued, yet the 5(a)(5)(C) activity remains high. The Branch is still of the opinion that the publication of [REDACTED] will result in a spectacular increase in the 5(a)(5)(C) activity.

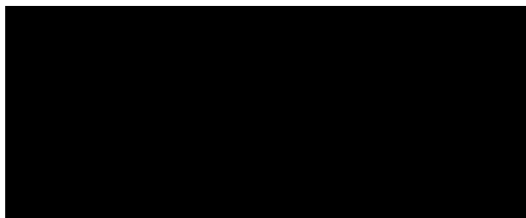
6. Moreover, of the claims that were submitted to the Branch for processing under the 5(a)(5)(C) program, several were ultimately processed with the BEC. As part of the Branch's administration of these programs, claimants are fully advised of the benefits

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available to them under either program and often, the claimant decides to change the nature of his claim for the purpose of obtaining the maximum benefit.

7. Of the forty-nine pending cases which were carried from the previous report, twenty-two were subsequently approved, one was rejected, three are considered inactive, and twenty-three are still pending.



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STATISTICAL DATA

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SUMMARY OF COMPENSATION ACTIVITY
1 July 1954 - 31 December 1954

1. Compensation Activity

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| | |
|---|-----|
| Total Cases | 232 |
| New Claims Pressed | 59 |
| New Claims Not Pressed | 124 |
| New Claims Referred [REDACTED] | 0 |
| Pending Cases From Previous Summary | 49 |

2. Nature of Claims Processed

| | |
|----------------------------------|-----|
| Total Claims Processed | 108 |
| Medical Expenses | 72 |
| Compensation | 8 |
| Both | 28 |

3. Ultimate Method of Processing

| | |
|----------------------------------|-----|
| Total Claims Processed | 108 |
| BEC Cases | 70 |
| Internal Cases | 38 |
| 5(a)(5)(C) | 34 |
| BEC Type | 4 |

4. Action Taken on Claims

| | |
|--------------------------------|----|
| Total BEC Cases | 70 |
| Rejected | 2 |
| Approved | 19 |
| Pending | 46 |
| Inactive | 3 |
| Total Internal Cases | 38 |
| 5(a)(5)(C) | 34 |
| Rejected | 1 |
| Approved | 12 |
| Pending | 21 |
| Inactive | 0 |
| BEC Type | 4 |
| Rejected | 0 |
| Approved | 1 |
| Pending | 3 |
| Inactive | 0 |

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